

From: jamesmeaney@nalconenergy.com
Sent: Saturday, November 30, 2013 9:16 PM
To: Manzer, Alison
Cc: Kapoor, Anoop; joseph.krupski@nrcan-rncan.gc.ca; Xeno Martis; paul harrington/nlhydro; gilbert bennett/nlhydro; derrick sturge/nlhydro
Subject: Re: Confirmations re Independent Engineer Review Process

Hi Alison,

Please accept this email as confirmation of the below on the understanding that it will facilitate Canada's clearance of FLG condition precedent 3.5.B(ix) relating to the IE report for the MF, LTA and LIL projects.

Regards,

Jim

Sent from my iPad

On Nov 30, 2013, at 12:28 PM, "Manzer, Alison" <amanzer@casselsbrock.com> wrote:

Jim,

Prior to Canada accepting the IE report draft that is expected shortly, we need to have some comfort around a few concerns going forward. Please confirm these on behalf of Muskrat Falls Co., Labrador Transmission Co. and the Labrador-Island Link Limited Partnership (collectively the "Borrowers") by return email.

1. We have a protocol for the determination of Cost Overruns that requires an IE confirmation; it is our expectation that the IE confirmed number, determined by the IE acting reasonably and in consultation with your team, will set the Cost Overrun amount in accordance with the provisions of the MF/LTA and LIL project finance agreements and you will work out what you need to before it is confirmed. We consider that to be a usual approach and allows us to accept the considerable contingency concerns expressed.

2. We will be requesting that the report be updated to a better final report with costing reasonableness comments, but that can be done over the next weeks. We expect that will form a basis for us all being comfortable with the ongoing approval process.

3. We are expecting that the IE will attend regular site visits, certainly more than annual and will be permitted to participate in project meetings. We expect to set up this protocol with you over the next few weeks as Canada and your team work together to determine an appropriate site visit schedule and get a construction oversight team in place with the IE. May I suggest we do that sooner than later.

4. We want comprehensive semi-annual progress review reports and meetings, to be coordinated with site visits, so that the IE has the knowledge to assess construction progress, the expected cost to complete, project schedule, and the annual calculation of cost overruns. To support consistent and effective information exchange, the semi-annual progress reviews will incorporate results from the monthly Construction Report as provided for in the MF/LTA and LIL project finance agreements.

5. We note that the Borrowers are required to cooperate with the IE to enable it to undertake its contracted work to the fullest extent possible and deliver its reports and assessments on a timely basis. The continued flow of funds depends on the ability to receive the IE confirmations as and when required, including the periodic progress reports. We need you to confirm that you have or will promptly make the necessary arrangements to allow this process to proceed on a seamless basis.

<M2.gif>	<p>Alison Manzer</p> <p>Direct: 416 869 5469 • Fax: 416 350 6938 • amanzer@casselsbrock.com</p> <p>2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, Canada</p> <p>www.casselsbrock.com</p>
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